

AMENDED IN SENATE JANUARY 4, 2012

**SENATE BILL**

**No. 696**

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**Introduced by Senator Lieu**

February 18, 2011

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An act to add ~~Division 22 (commencing with Section 70000) to the Financial Code, relating to financial literacy. Section 51220.7 to the Education Code, relating to pupil instruction.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 696, as amended, Lieu. ~~California Financial Literacy Initiative. Pupil instruction: economics: personal finance.~~

*Existing law requires a school district, as part of its adopted course of study for grades 7 to 12, inclusive, to offer courses in specified areas of study, including, among others, social sciences, drawing upon the disciplines of anthropology, economics, geography, history, political science, psychology, and sociology.*

*This bill would encourage the instruction provided in economics to include instruction related to the understanding of personal finances, including, but not limited to, budgeting, savings, credit, and identity theft. The bill would also make several legislative findings and declarations.*

~~The California Constitution requires the Legislature to encourage the promotion of intellectual improvement. Existing law regulates financial institutions and their interactions with the public. Existing law recognizes the existence of specialized financial institutions that provide services, including, but not limited to, financial literacy training, to underserved communities.~~

~~This bill would establish the California Financial Literacy Initiative in the Controller's office for the purpose of providing resources and~~

~~instruction to Californians to improve financial literacy. The initiative would be administered by the Controller. The bill would establish the California Financial Literacy Fund in the State Treasury and would authorize the Controller to deposit private donations into the fund from entities with no direct financial interest in any financial products. The bill would require those moneys to be made available upon appropriation in the annual Budget Act. The bill would require the Controller, beginning in 2012, to report to specified committees of the Legislature annually on or before August 30 on the implementation of the initiative, as specified.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~yes~~-no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. The Legislature finds and declares all of the*  
2     *following:*  
3     *(a) California does not have an official statewide policy or*  
4     *educational plan for the teaching of financial literacy. The growing*  
5     *negative economic effects of financial illiteracy have spurred the*  
6     *need for financial literacy education for all elementary and*  
7     *secondary pupils.*  
8     *(b) According to a national survey conducted in the fall of 2007,*  
9     *nearly half of homeowners with adjustable rate mortgages admitted*  
10    *that they did not know how their adjustable rate mortgages will*  
11    *adjust or reset, and nearly 75 percent did not know how much*  
12    *their monthly mortgage payments would increase when the*  
13    *payments adjust or reset.*  
14    *(c) Americans 25 to 34 years of age have the second highest*  
15    *rate of bankruptcy, just after Americans 35 to 44 years of age. The*  
16    *bankruptcy rate among Americans between 25 to 34 years of age*  
17    *increased between 1991 and 2001, indicating that those individuals*  
18    *were more likely to file bankruptcy as young adults than were baby*  
19    *boomers at the same age.*  
20    *(d) The national annual savings rate has declined from 9 percent*  
21    *in the 1980s to approximately negative 0.4 percent of after-tax*  
22    *household income, which is a level not seen since the Great*  
23    *Depression.*

1     (e) California high school seniors taking part in a national  
2     survey of financial knowledge scored an average of 44 percent,  
3     which is four percentage points lower than the national average.

4     (f) Many states have already recognized the importance of  
5     financial literacy. Thirty-eight states report having personal  
6     finance standards in various forms, while nine of those states  
7     currently include personal finance instruction as part of their  
8     graduation requirements.

9     (g) Increasing the financial literacy of all economic and ethnic  
10    groups is documented to improve attitudes, lead to improved  
11    decisionmaking, and provide for a more secure future for  
12    individuals and their families, who have been educated with regard  
13    to these issues.

14    (h) Financial literacy education is an essential ingredient for  
15    creating an active citizenry that is able to understand how the  
16    state's budget decisions will affect their personal lives.

17    (i) The teaching of financial literacy skills is vital to equip the  
18    young people of California with the tools they need to enter the  
19    workforce.

20    (j) Financial literacy instruction may be easily integrated as a  
21    valuable component for elementary and secondary schools,  
22    colleges and universities, libraries, community groups, and citizen  
23    town hall meetings.

24    (k) Many groups are dedicated to increasing the financial  
25    literacy of Americans, and a broad range of quality personal  
26    finance instructional materials and curricula have been created  
27    for this purpose, but California's pupils are not getting this vital  
28    information.

29    (l) At this crucial economic time, it is imperative that the state  
30    encourage the provision of financial literacy instruction to all  
31    pupils.

32    SEC. 2. Section 51220.7 is added to the Education Code, to  
33    read:

34    51220.7. The Legislature encourages the instruction provided  
35    in economics pursuant to subdivision (b) of Section 51220 to  
36    include instruction related to the understanding of personal  
37    finances, including, but not limited to, budgeting, savings, credit,  
38    and identity theft.

39    ~~SECTION 1. The Legislature finds and declares all of the~~  
40    ~~following:~~

~~(a) The average American household consumer credit card debt is about eight thousand five hundred dollars (\$8,500).~~

~~(b) Forty-three percent of American families spend more than they earn, and data from the Federal Reserve states that Americans hold a total debt of \$1.9773 trillion, not including mortgage debt, averaging eighteen thousand six hundred fifty-four dollars (\$18,654) per household.~~

~~(c) As the mortgage crisis demonstrated, there is a severe shortage of affordable financial advisors to counsel middle and lower income Californians and advise them on how to plan when a fiscal crisis hits.~~

~~(d) Studies show that 60 percent of homeowners facing foreclosure did not know to reach out to their lenders, which has proven the best way to avoid foreclosure and foreclosure scams.~~

~~(e) The first quarter of 2008 reported 169,831 foreclosure filings in California, the highest in the country, at a rate of one in every 78 households.~~

~~(f) High school seniors taking part in a national survey of financial knowledge scored an average of 48.3 percent, which is a failing grade.~~

~~(g) Undergraduate students reported their freshman year as the most prevalent time for obtaining credit cards, with 78 percent reporting that they obtained their first credit card at 18 years of age.~~

~~(h) Sixty-five percent of 18 to 19 year olds, the average age that college students reported getting their first credit card, failed a financial literacy test.~~

~~(i) Many groups are dedicated to increasing the financial literacy of Americans and a broad range of quality personal finance instructional materials and curricula have been created for this purpose.~~

~~(j) California does not have an official statewide policy or educational plan for the teaching of financial literacy.~~

~~(k) Financial literacy materials and resources exist in many forms, but are not organized or collected in a systematic manner.~~

~~(l) The teaching of financial literacy skills is vital to equip the young people of California with the tools they need to enter the workforce.~~

~~SEC. 2. Division 22 (commencing with Section 70000) is added to the Financial Code, to read:~~

DIVISION 22. CALIFORNIA FINANCIAL LITERACY  
INITIATIVE

70000. For purposes of this division, “initiative” means the California Financial Literacy Initiative.

70001. (a) The California Financial Literacy Initiative is hereby established in the Controller’s office as a program for improving financial literacy by providing resources and instruction to Californians.

(b) The initiative shall be administered by the Controller.

70002. The California Financial Literacy Fund is hereby established in the State Treasury. The purpose of the fund is to implement measures defined by the initiative. The Controller may accept private donations from entities with no direct financial interest in any financial products and deposit those donations into the fund, which shall be made available upon appropriation in the annual Budget Act.

70003. Beginning in 2012, the Controller shall provide to the respective chairpersons of the Assembly Committee on Banking and Finance and the Senate Committee on Banking, Finance and Insurance an annual report on the initiative. This report shall include, but not be limited to, steps taken to partner with the financial services community and governmental and nongovernmental stakeholders to improve Californians’ financial literacy, a description of the basic financial skills information available on the Controller’s Internet Web site and plans to improve that clearinghouse of information, any nonstate funding received for purposes of this initiative, and any additional recommendations to enhance financial literacy in California. This report shall be submitted no later than August 30 of each year.